

MPERS FYI

Popular Annual Financial Report
for the Fiscal Year Ended June 30, 2021

Dependability Under Adversity



Missouri Department of Transportation and Highway Patrol Employees' Retirement System
A Component Unit of the State of Missouri



A Message from the Director



Scott Simon
Executive Director

This For Your Information (FYI) brochure is prepared to provide a reader-friendly summary of MPERS' information, which members and other stakeholders may find useful. For additional or more detailed information, please refer to our Annual Comprehensive Financial Report (Annual Report), available on our website at www.mpers.org.

MPERS' membership is comprised of benefit-eligible employees (actives) of the Missouri Department of Transportation (MoDOT), the Missouri State Highway Patrol (MSHP or Patrol), and MPERS, in addition to all benefit recipients (retirees, survivors, etc.). The System administers retirement, survivor, and disability benefits in accordance with Chapter 104 of the Missouri Revised Statutes. MPERS operates as a 401(a) tax qualified defined benefit plan. Benefits are based upon a formula that is set by law.

The theme of the 2021 Annual Report, as well as the For Your Information (FYI) brochure, is "Dependability Under Adversity." During the past year, and perhaps more than ever, it has been critically important for individuals to have confidence in their financial interests. During what has been, and continues to be, an adverse life experience, MPERS has seamlessly distributed benefit payments each month. In addition, we have taken advantage of extraordinary financial markets and realized one of, if not the single largest annual returns in the organization's history. This return rates favorably against almost any reasonable metric. Dependability through adversity is an important objective of the MPERS team. MPERS' members have come to expect prompt, courteous, personalized, and professional service; timely payments made in compliance with the law; accurate and transparent communications; and relevant information and education. We are proud to report that we were able to provide uninterrupted service to our members and stakeholders over the past year.

MPERS' funding objective is to meet current and future benefit obligations for retirees and beneficiaries. Benefits are funded by investment earnings and payroll contributions. The funding should remain approximately level from generation to generation. During the fiscal year ending June 30, 2021, the funded status of MPERS, which covers 18,660 participants, increased by 1.77% to 62.41%.

As of June 30, 2021, MPERS' investment portfolio had a fair value of \$3 billion, representing a return of 30.80% for the fiscal year. Relative to MPERS' peer group (the InvestorForce Public Fund Universe) the 30.80% return for Fiscal Year 2021 ranked MPERS in the 9th percentile. The trailing three- and five-year performance of 11.63% and 11.10%, respectively, ranks MPERS in the 50% and 47%, respectively, of the peer group. The trailing 10-year performance of 9.59% ranks MPERS in the top 14% of the peer group.

We express our gratitude to the Board, the staff, the consultants, and the many people who have worked so diligently to ensure the continued successful operation of MPERS. The steady, monthly benefit payments offered by defined benefit plans like MPERS, provide peace of mind and security for retirees and their families. For over 60 years, MPERS has provided a foundation for financial security to plan participants through the delivery of quality benefits, exceptional member service, and professional plan administration.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Simon".

Scott Simon
MPERS' Executive Director

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The lighthouse has long been a beacon of hope and guidance for sailors in the midst of unsettled and foggy seas. Consistently serving as a dependable source of guidance during uncertain times.

MPERS operates under the direction and control of an 11-member Board of Trustees. The Board of Trustees has the ultimate fiduciary responsibility for the System and those covered by the System. Fiduciary duty is a legal relationship of trust between parties, where one party is acting for the benefit of another. Fiduciaries of pension funds have strict standards imposed upon them by law. The Board's primary fiduciary responsibilities are the duty of loyalty, the duty of prudence, and the duty of care.

In addition to administrative rules, the Board adopted governance policies that set forth the expectations the Board has for itself and formalize the way the Board conducts business. The policies are intended to help the Board meet its fiduciary responsibilities. The governance policies set forth the structure, manner, and process by which the Board exercises its authority and control. As of June 30, 2021, the Board consisted of the following members:



Lt. Colonel Eric Olson
Board Chair
Superintendent of MSHP
Ex Officio Member



Todd Tyler
Board Vice Chair
MoDOT Employee
Representative



Senator Mike Bernskoetter
State Senator



W. Dustin Boatwright
Commission Member
MO Highways &
Transportation Commission



Robert "Bob" Brinkman
Commission Member
MO Highways &
Transportation Commission



Lt. Matt Broniec
MSHP Employee
Representative



Sue Cox
MoDOT Retiree
Representative



Representative Barry Hovis
State Representative



Patrick McKenna
Director of MoDOT
Ex-Officio Member



William "Bill" Seibert
MSHP Retiree
Representative



Gregg Smith
Commission Member
MO Highways &
Transportation Commission

Financial statements report information using accounting methods similar to those used by private sector companies. The net position reported below is an indicator of the System's financial standing at the end of the fiscal year. For more financial information, refer to the Annual Comprehensive Financial Report at www.mpers.org.

Assets and Liabilities

The *Summarized Comparative Statements of Fiduciary Net Position* includes all of the System's assets and liabilities, with the difference between the two reported as net position.

	As of June 30, 2021	As of June 30, 2020	% Change 2021 / 2020
Assets			
Cash and Receivables	\$ 27,488,024	\$ 19,630,328	40.0
Investments	3,002,537,498	2,352,666,839	27.6
Invested Securities Lending Collateral	117,448,756	108,567,739	8.2
Capital Assets	383,217	321,676	19.1
Total Assets	3,147,857,495	2,481,186,582	26.9
Deferred Outflows of Resources	361,851	31,054	1,065.2
Liabilities			
Accounts Payable	19,344,757	2,868,289	574.4
OPEB Obligation	2,019,603	1,552,393	30.1
Securities Lending Collateral	122,747,636	114,948,267	6.8
Total Liabilities	144,111,996	119,368,949	20.7
Deferred Inflows of Resources	182,122	248,799	-26.8
Net Position	\$ 3,003,925,228	\$ 2,361,599,888	27.2



The 2021 fiscal year began during the midst of a pandemic. It was a time of uncertainty. Many found themselves asking, "Will I be okay financially after the pandemic is over?"

Income and Expenses

The *Summarized Comparative Statements of Changes in Fiduciary Net Position* accounts for all the current year's additions (income) and deductions (expenses), regardless of when cash is received or paid.

	As of June 30, 2021	As of June 30, 2020	% Change 2021 / 2020
Contributions	\$ 217,389,127	\$ 220,902,777	-1.6
Net Investment Income (Loss)	699,644,251	(10,673,270)	6,655.1
Other Income	286	5,412	-94.7
Total Additions	917,033,664	210,234,919	336.2
Benefits	270,122,851	267,605,833	0.9
Administrative Expenses	4,585,473	4,291,028	6.9
Total Deductions	274,708,324	271,896,861	1.0
Net Increase (Decrease)	642,325,340	(61,661,942)	1,141.7
Net Position—Beginning	2,361,599,888	2,423,261,830	-2.5
Net Position—Ending	\$ 3,003,925,228	\$ 2,361,599,888	27.2

Investment Policy

The primary objective of MPERS is to provide active and retired employees with adequate retirement benefits. The investment portfolio is constructed to generate a total return that, when added to employer contributions, is sufficient to meet the benefit obligations. Following prudent standards for preservation of capital, the goal is to achieve the highest possible rate of return consistent with the plan's tolerance for risk as determined by the Board in its role as fiduciary.

Investment Performance

MPERS' investment portfolio generated a 30.8% return for the year, net of all management fees and based on time-weighted rates of return and market valuations. As of June 30, 2021, MPERS' investment portfolio had a total fair value of \$3.0 billion, representing an increase of \$642 million from June 30, 2020.

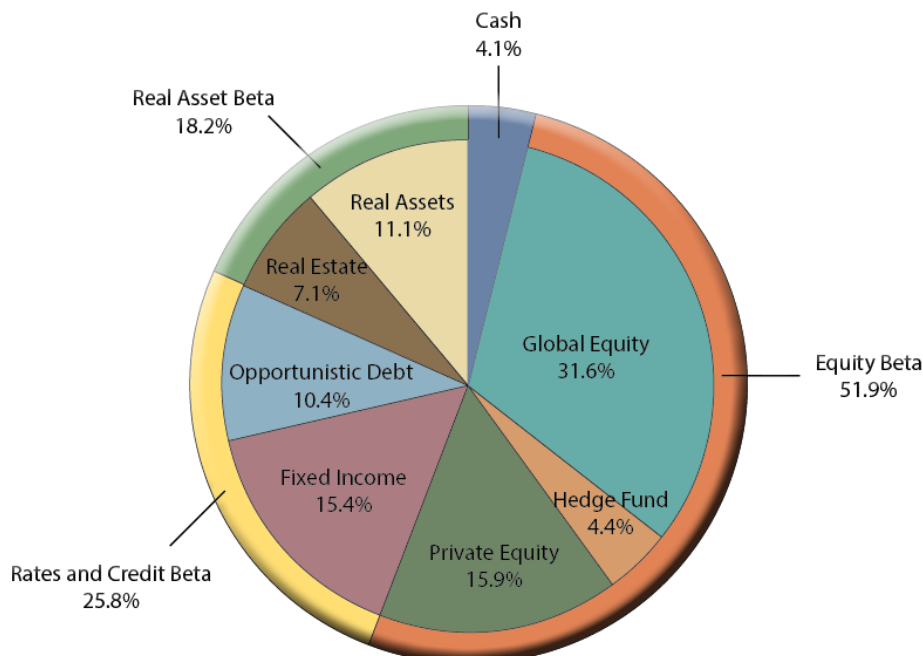
	FY 2021	FY 2020	FY 2019
Asset Value	\$3.0 billion	\$2.3 billion	\$2.4 billion
1-Year Return	30.80%	-0.46%	6.84%
Policy Benchmark	23.47%	4.03%	8.80%
3-Year Return	11.63%	5.18%	9.15%
Policy Benchmark	11.79%	6.81%	9.13%
5-Year Return	11.10%	5.51%	6.97%
Policy Benchmark	10.79%	6.60%	6.85%
10-Year Return	9.59%	8.80%	10.19%
Policy Benchmark	8.79%	8.18%	9.22%



For MPERS' stakeholders, the answer was a resounding "yes." During the pandemic, investment staff carefully monitored assets within established investment policy. The policy, combined with staff diligence, led to a remarkable 30.8% return for the 2021 fiscal year, helping to strengthen the long-term sustainability of the System.

Asset Allocation

MPERS' investment consultant completes an asset/liability study every five years to determine whether or not changes are needed to the asset allocation. The asset allocation is reviewed annually by the Board.

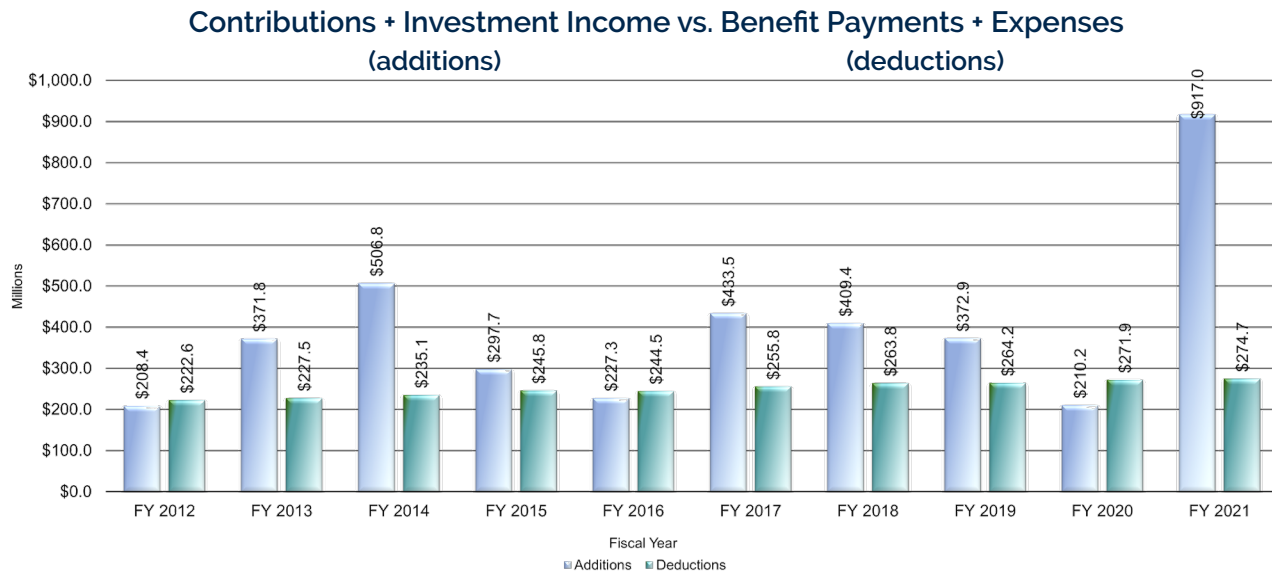


Pension Plan Funding

MPERS' funding objective is to meet current and future benefit obligations of retirees and beneficiaries through contributions and investment earnings.

Each year, an actuary calculates the liability associated with the benefits, determines the funded status, and recommends the contribution rate necessary to fund the System in accordance with the Board-approved funding policies.

The contribution rate is based on a number of factors, including the current level of benefits, the number of participants, current and future pay levels, members' age and average life expectancy, expected earnings on investments, and the plan's unfunded liability. The investment portfolio is constructed to generate income that, when added to employer contributions, is sufficient to meet benefit obligations and expenses.



MPERS' operations continued seamlessly throughout the pandemic. Benefit payments were accurate, paid on time, and distributed every month.

Permanent and Temporary Funding Policies

In an effort to address the System's underfunded status, the Board has adopted policies intended to improve MPERS' funded status over time. The unfunded actuarial accrued liabilities are amortized as follows:

Permanent Policy: In September 2006, the Board adopted a policy where the total contribution is based on normal cost plus a 29-year amortization of unfunded liabilities. The amortization period began July 1, 2007.

Temporary Accelerated Policy: In September 2009, after the market downturn, the Board adopted a policy where the total contribution is based on normal cost plus a 15-year amortization period for unfunded retiree liabilities and a 30-year amortization period for other unfunded liabilities. Both amortization periods started July 1, 2010.

The temporary accelerated policy will remain in effect until the retiree liability becomes 100% funded or the permanent policy produces a higher contribution rate.

Permanent and Temporary Funding Policies Remaining as of July 1, 2021

Permanent Policy	15 years
Temporary Policy (retirees)	4 years
Temporary Policy (other)	19 years

Contribution Rates

When the plan was created in 1955, both employees and employers paid contributions equal to four percent of the employee's first \$7,500 of salary. In 1976, legislation was passed which made the System non-contributory and all contributions, plus interest, were refunded to members. From then until 2011, the cost of the plan was funded solely by employer contributions and investment income. In 2010, legislation was passed that created the contributory 2011 Tier. Employees hired for the first time in a benefit-eligible position on or after January 1, 2011, contribute 4 percent of their salary to help fund their retirement benefits.

The Board sets the contribution rate, as a percentage of payroll, based on actuarial recommendations.

FY 2021 Employer Contribution Rates

	MoDOT & Civilian Patrol	Uniformed Patrol
Normal Cost of Benefit	9.25%	17.23%
Catch Up Payment on the Unfunded Liabilities*	47.06%	39.73%
Administrative Expenses	1.22%	1.22%
Subtotal	57.53%	58.18%
Disability Insurance Premium	0.47%	0.47%
Total Employer Contribution Rate	58.00%	58.65%

*Catch up payments are extra contributions made over a set period of time to improve the funded status of the System.

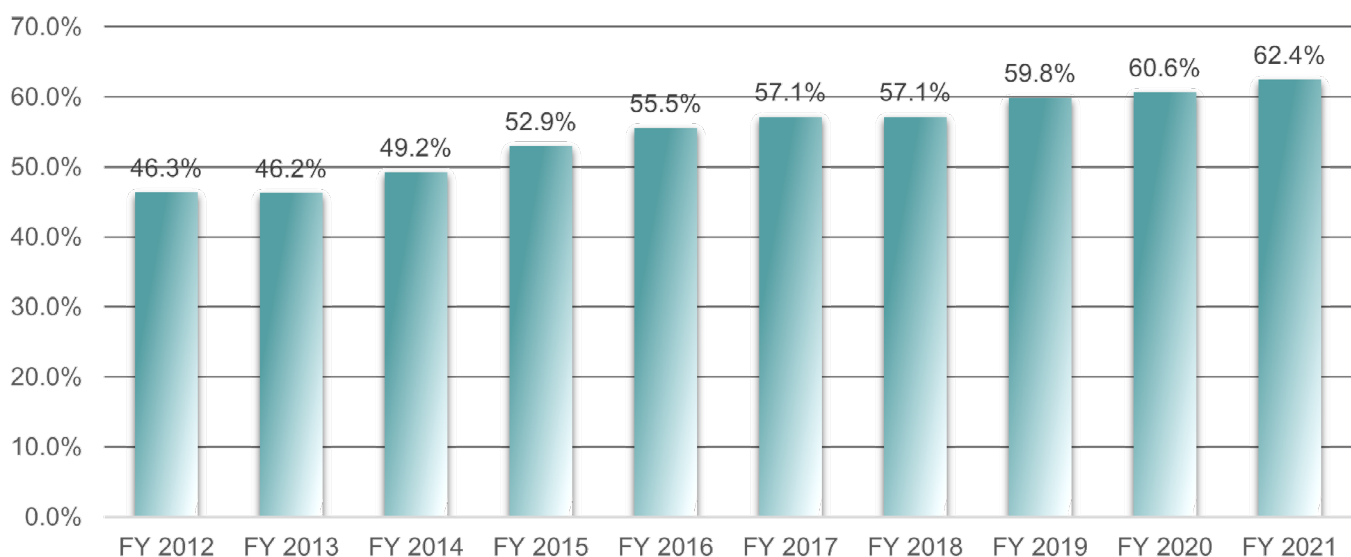
Funded Status Calculation

MPERS' funding objective is to meet future benefit obligations of retirees and beneficiaries through investment earnings and payroll contributions. During the fiscal year ending June 30, 2021, the funded status increased by 1.77% to 62.41%.

The current funded status can be calculated by dividing the the current actuarial value of assets by the total actuarial accrued liability (what is needed to fund future benefits).

Current Actuarial Value of Assets		Total Actuarial Accrued Liability		Current Funded Status
\$2,711,272,503	÷	\$4,344,072,912	=	62.41%

History of MPERS' Funded Status



Retirement Plans

To participate in MPERS, an employee must be employed in a benefit-eligible position for the Missouri Department of Transportation (MoDOT), the Missouri State Highway Patrol (MSHP), or the MoDOT & Patrol Employees' Retirement System (MPERS). A benefit-eligible position requires the performance of duties during at least 1,040 hours per year (half-time or greater). Based on hire date, members participate in one of three plans.

Closed Plan (non-contributory)

The Closed Plan was the original plan for benefit-eligible employees hired prior to July 1, 2000.

At retirement, these members may elect to retire under the Closed Plan or the Year 2000 Plan.

Year 2000 Plan (non-contributory)

Benefit-eligible employees hired for the first time on or after July 1, 2000, but prior to January 1, 2011, are members of the Year 2000 Plan.

2011 Tier (contributory)

A contributory tier was added to the Year 2000 Plan for benefit-eligible employees hired for the first time on or after January 1, 2011.

Employee and the employer make monthly contributions to fund the retirement of 2011 Tier members.



Ensuring continuous monthly benefit payments has always been MPERS' top priority. During a time of uncertainty, turmoil, and adversity, our benefit recipients could always rely on receipt of those payments. MPERS exemplified dependability under adversity.

Benefit Formula

Benefits are calculated using a formula that is set by law. The benefit formula includes final average pay, credited service, and a multiplier set by law.

Final Average Pay

The average of the highest 36 consecutive months of pay.

X

Credited Service

Years and months of service worked, purchased, and/or transferred.

X

Multiplier

A percentage set by law.

=

Monthly Base Benefit

Paid for the lifetime of the benefit recipient and/or eligible spouse.

Steps of a Defined Benefit Retirement Plan

WORK
In a benefit-eligible position

01

BECOME
Vested

02

REACH
Retirement eligibility

03

RECEIVE
A monthly benefit for life

04

During the 2021 fiscal year, MPERS' overall membership decreased by 22. Retired members and their beneficiaries increased by 65, active members decreased by 141, and terminated-vested members increased by 54.

Active members include active employees who work in a benefit-eligible position at MoDOT or MSHP. Once an active member has five years of credited service, they are considered vested and are eligible to receive a retirement benefit at a future date.

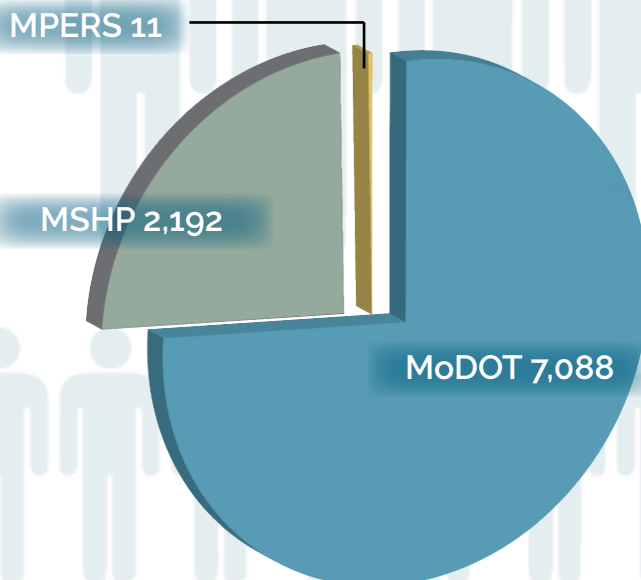
Terminated-vested members are those who left employment at MoDOT or MSHP after being vested, but prior to reaching retirement eligibility. Once certain age and service requirements are met, these individuals will be eligible to begin collecting retirement benefits.

MPERS provides long-term disability and work-related disability benefits for active employees of MoDOT and MSHP.

Membership as of June 30, 2021

	Non-Uniformed		Uniformed	Grand
	Civilian Patrol	MoDOT & MPERS	Patrol	Total
Active Members				
Closed Plan	212	1,130	408	1,750
Year 2000 Plan	355	1,446	360	2,161
Year 2000 Plan - 2011 Tier	500	2,355	428	3,283
Total Active Members	1,067	4,931	1,196	7,194
Retirees and Beneficiaries				
Closed Plan	490	3,318	1,044	4,852
Year 2000 Plan	638	3,759	10	4,407
Year 2000 Plan - 2011 Tier	10	22	0	32
Total Regular Pensioners	1,138	7,099	1,054	9,291
Disability Pensioners	12	110	6	128
Terminated Vested Members	264	1,712	177	2,153
Total	2,481	13,852	2,433	18,766

Benefit Recipients as of June 30, 2021



New Retiree Averages

Final Average Pay	\$4,080
Years of service	22

Total Benefits Paid

\$270,122,851

2021 Retirees

MoDOT	236
Uniformed MSHP	49
Civilian MSHP	50

Retiree Location

This map represents the demographic distribution of retirees by state and country for the year ended June 30, 2021.

